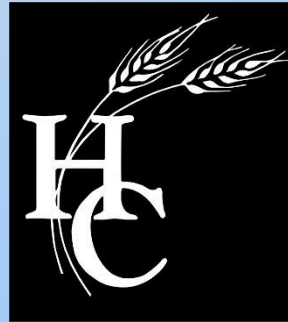


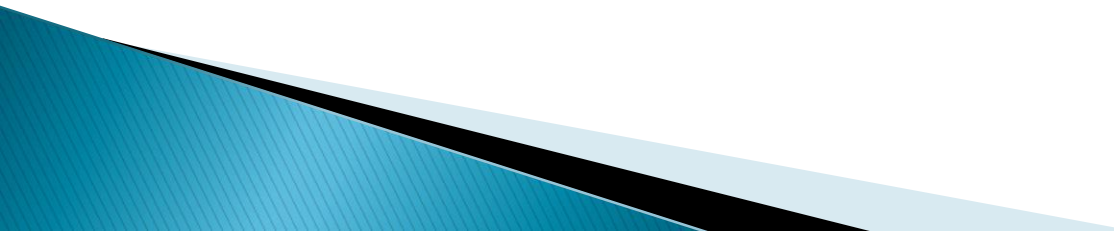
Howard County Police and Fire Employees' Retirement Plan



**Police Department Retirement Information Seminar
September 13, 2016**

DISCLAIMER

This presentation is intended as an overview of the current retirement benefits provided for you by Howard County, and every effort has been made to ensure its accuracy. The County reserves the right to make future plan amendments. These materials are not a substitute for the official legal terms of the Retirement Plan specified in the Howard County Code. In the event of a discrepancy between this information and the County Code, the County Code will govern.



Plan History



- The Howard County Police and Fire Employees' Retirement Plan was established in 1990. At that time, employees could opt to stay in the MD State plan or join the new plan.
- The plan now covers approximately:
 - ▣ 910 active County Employees (470 police + 440 fire), plus
 - ▣ 375 Retirees/Beneficiaries receiving a monthly check
- Plan assets held in Trust to pay benefits: approx. \$495 million

PLAN FUNDING

Employee Contributions + Employer Contributions



- 11.6% of base pay
- None after 30 years



➤ Actual
30.4

- Actuarially determined
- 32.5% of base pay (FY18)

KEY DEFINITIONS

Creditable Service* (HOW MUCH?)

- Determines dollar amount of the benefit



Eligibility Service* (HOW SOON?)

- Determines Vesting
- Eligibility for normal or early retirement
- Qualification for retiree health insurance



Final Average Pay

- Highest 36 consecutive months
- Excludes bonuses & overtime

* Service is measured in years and complete calendar months

ELIGIBILITY FOR RETIREMENT BENEFITS



You qualify for **Normal Retirement Benefits** on the first day of the month after:

- ✓ You complete 20 Years of Eligibility Service, with at least 10 years as a Covered Employee

OR

- ✓ You are age 62 with at least 5 years of service, if earlier.

Benefit Formula - Police

Final Average
Pay



% based on
Creditable
Service

<u>Creditable Service</u>		<u>Benefit %</u>
20	→	50%
21	→	53%
22	→	57%
23	→	62%
24	→	68%
25	→	75%
26	→	76%
27	→	77%
28	→	78%
29	→	79%
30 or more	→	80%

Service Credit for Unused Sick Leave

- ***At retirement***, one month of additional Creditable Service is granted for each 22 days of unused sick leave.
- After calculating months, if there are 12 or more days remaining, an additional month is granted.
- Additional benefit of 2.5% of Final Average Pay, for each year (12 months) of unused sick leave.



Sick Leave Conversion Form

CONVERSION:

_____ : Days December 31, 2001 x 12 = (X) _____ hours.

_____ Days December 31, 2001 x 8 = (Y) _____ hours.

X HOURS - Y HOURS = (Z) _____ hours.

At retirement, ADP balance - Z = (SLHB) Sick Leave Hours Balance
SLHB divided by 8 = Days for Retirement Calculation

ADP Balance _____ - (Z) _____ = (SLHB) _____

(SLHB) _____ divided by 8 = _____ Days for retirement purposes.

Pay Period Ending Date: _____

Benefit Formula Example

Final Average Pay = \$96,000 (annual)

Creditable Service at Retirement = 25 years

□ Assuming no sick leave –

Retirement Benefit (single life annuity) =

$$\begin{aligned} \$96,000 \times \underline{75\%} &= \$72,000 \text{ (annual)} \\ &= \$6,000 \text{ (monthly)} \end{aligned}$$

Note: These are gross amounts, before tax withholding.

Benefit Formula Example

(continued)

Final Average Pay = \$96,000 (annual)

Creditable Service at Retirement = 25 years

□ Assuming 6 months sick leave –

Retirement Benefit (single life annuity) =

$$\text{\$96,000} \times 75\% = \text{\$72,000}$$

$$+ \text{\$96,000} \times 1.25\% = \underline{\text{\$1,200}}$$

$$\text{\$73,200 (annual)}$$

$$= \text{\$6,100 (monthly)}$$

Note: These are gross amounts, before tax withholding.

Military Service

- **Must have 20 years of Eligibility Service before applying for the Military Service Credit.**
- **The Plan recognizes up to 4 additional years of Eligibility Service and Creditable Service for active military duty in the U. S. Armed Forces, if the service preceded Howard County employment.**
- **If the Military Service interrupts Howard County employment, it will be credited immediately upon repayment of missed contributions.**
- **Cannot be counted toward another pension.**



Lateral Service

- **Eligibility Service can be transferred**
 - ▣ Up to 5 years as a full-time career firefighter or sworn police officer for a government employer other than Howard County
 - ▣ Up to 2 years as a police Cadet with Howard County or other government employer within MD.
- **Creditable Service is NEVER transferred. It can be purchased at full actuarial cost by using:**
 - ▣ Lump sum/rollover payment
 - ▣ Periodic payments (payroll deduction)
 - ▣ Combination

At Retirement

Benefit Payment Options

You will elect your form of payment from the choices below:

- 1. Life Only Annuity (Basic Option)**
- 2. 50% Joint and Survivor**
- 3. 100% Joint and Survivor**
- 4. 50% Pop Up**
- 5. 100% Pop Up**

At Retirement

Examples of Optional Forms

Life Only Annuity- \$6,000

payable for your lifetime and stops upon your death

50% Joint and Survivor- \$5,560

payable for your lifetime with 50% (\$2,780) payable to beneficiary after your death

100% Joint and Survivor- \$5,185

payable for your lifetime with 100% (\$5,185) payable to beneficiary after your death

Amounts are illustrative only and assume that retiree and beneficiary are the same age; actual amounts are actuarially determined at retirement based on the exact age of you and your beneficiary.

At Retirement

Examples of Optional Forms

(continued)

50% Pop Up - \$5,490

payable for your lifetime with 50% (\$2,745) payable to beneficiary after your death. Your benefit pops up to \$6,000 if beneficiary dies.

100% Pop Up - \$5,060

payable for your lifetime with 100% (\$5,060) payable to beneficiary after your death. Your benefit pops up to \$6,000 if beneficiary dies.

Amounts are illustrative only and assume that retiree and beneficiary are the same age; actual amounts are actuarially determined at retirement based on the exact age of you and your beneficiary.

About Benefit Payments

- ▶ **YOU CANNOT CHANGE YOUR PAYMENT OPTION ONCE THE FIRST PAYMENT HAS BEEN MADE FROM THE PLAN.**
- ▶ **RETIREMENT PAYMENTS ARE MADE ON THE 1ST OF EACH MONTH.**



COST OF LIVING ADJUSTMENT (COLA)



The Plan adds a COLA to retirees' benefits each July 1. The maximum is 2%.

The COLA is based upon changes in the Consumer Price Index (CPI-U) for the Baltimore-Washington area.

To be eligible to receive the annual COLA, you must have been receiving retirement payments for at least one full year.

Other Plan Benefits

Disability Retirement Benefits:

► **Ordinary (Non-Line-of-Duty)=
greater of 20% of final avg pay or accrued benefit**

- Must have 5 years of service
- Must have a “total and permanent disability”
- Prevents usual duties of position

► **Line-of-Duty Disability =**
Catastrophic: 66 2/3% of pay
Non-Catastrophic: 50% of pay

- Must have a “total and permanent disability” resulting from an on-the-job accident or injury
- Must be compensable under Worker’s Compensation Act



Other Plan Benefits (continued)

► In-Service Death Benefits

- Employee contribution account.
- If 1 year of Eligibility Service, additional 1x Base Pay.
- If eligible for retirement, or if death occurred in the Line-of-duty, spouse may elect lifetime annuity.

► Termination Benefit, with 5 or more years of Eligibility Service

- Vested pension payable at age 62 based on average compensation and Creditable Service at termination, OR
- Refund of employee contribution account.

► Termination Benefit, with less than 5 years of Eligibility Service

- Refund of employee contribution account.
- 



SAMPLE STATEMENT

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN

Police Employees

Statement of Your Estimated Retirement Benefits as of July 1, XXXX

Participant Name: Jane Doe
Social Security #: XXX-XX-XXXX
Date of Birth: XX/XX/XX
Enrollment Date: XX/XX/XX
Rate of Pay on July 1: \$XX,XXX.00

Service as of July 1	Creditable	Eligibility
•Membership	xxYrs/xxMos	xxYrs/xxMos
•Military	xxYrs/xxMos	xxYrs/xxMos
•Purchased/Transferred	<u>xxYrs/xxMos</u>	<u>xxYrs/xxMos</u>
Total	<u>xxYrs/xxMos</u>	<u>xxYrs/xxMos</u>

Projected Benefits as of July 1, XXXX	
•Normal Retirement Date	xx/xx/xxxx
•Estimated Monthly Benefit	\$xxxxx.xx

Your Contributions

During the past year

Contribution	\$xx.xx
Transfers	xx.xx
Interest	xx.xx
Total	\$XXX.XX

Cumulative

Pre-tax contributions	\$xx.xx
After-tax contributions	xx.xx
Transfers	xx.xx
Interest	<u>xx.xx</u>
Total	\$XXX.XX

Online Portal

Howard County Retirement System

The image shows a login interface for the Howard County Retirement System. It is overlaid on a background photograph of four elderly people (three men and one woman) standing on a beach, looking out at the ocean. The login form is white with a blue 'Sign In' button. It includes fields for 'User ID' and 'Password', a 'Remember me?' checkbox, and links for 'Forgot user ID?' and 'Forgot password?'. At the bottom, there are two green checkmarks indicating system requirements: 'Adobe Reader is installed.' and 'Internet browser (Internet Explorer 11) is supported.'

The online portal can be accessed from any computer, tablet, or smart phone by going to:

<https://www.mypensionbenefit.com/Default.aspx?co=howard>

Online Portal Home Page

The screenshot displays the 'Howard County Police and Fire Employees' Retirement Plan Pension Portal'. The header includes the portal title, a breadcrumb trail 'Howard County Police and Fire Retirement Plan', and a user status 'Active)'. Below the header is a 'Menu' section with five tiles: 'Home Page' (with a house icon), 'Participant Data' (with a person icon), 'Benefit Calculation' (with a calculator icon), 'Pension Documents' (with a document icon), and 'My Security' (with a lock icon). To the right is a 'Quick Links' section listing seven document types, each with a document icon. Annotations include a blue arrow pointing from a box labeled 'Statements and saved calculations' to the 'Pension Documents' tile, another blue arrow pointing from a box labeled 'Normal and DROP Benefit Calculator' to the 'Benefit Calculation' tile, and a third blue arrow pointing from a box labeled 'Important Plan Documents' to the 'Quick Links' section. A green circular refresh icon is located in the bottom right corner of the portal interface.

Howard County Police and Fire Employees' Retirement Plan Pension Portal

Howard County Police and Fire Retirement Plan ▶ Active) ☒

Home Page ▾

Menu

- Home Page
- Participant Data
- Benefit Calculation
- Pension Documents
- My Security

Quick Links

- Designation of Beneficiary Form
- DROP Application Form
- Military Service Forms
- Police and Fire Optional Benefit Forms
- Police and Fire Retirement Plan - DROP Q&A
- Summary of the Police and Fire Retirement Plan
- Transfer Service Forms

Statements and saved calculations

Normal and DROP Benefit Calculator

Important Plan Documents

Online Calculator

Howards County Police and Fire Retirement Plan

Benefit Calculation

What type of calculation would you like to complete?

☐ DROP Estimate
☒ Retirement Estimate

What is this participant's actual or expected last day of employment?

Termination Age/Date: ☐ Fixed Age ☐ Fixed Date

When does this participant want to begin receiving pension benefits?

Pension Start Age/Date: ☐ Fixed Age ☒ Fixed Date

Who should be designated as beneficiary, where applicable?

Relationship to you: Date of Birth:

If calculating after today, assume the following:

Expected Annual Pay Increases: %

☐ I understand and agree to the following [Terms and Conditions](#)

- Five Easy Questions
- DROP or Normal Retirement Option
- Projecting Salary Increase
- Estimates can be Stored

DROP

Deferred Retirement Option Program



- **Voluntary for all members who have at least 25 years of Creditable Service.**
- **May elect to participate in DROP for a minimum of 2 years and a maximum of 5 years.**
- **Can enter on the 1st of any month; must file application with Retirement Coordinator 30 – 90 days prior to entry.**
- **At the present time, 36 police officers are in the DROP program.**

Entering DROP

Regular Retirement Benefit is calculated

**Based on final average pay
and Creditable Service at
start of DROP period.**

**Sick leave credits added at
the end of DROP.**

plus

DROP Account starts to accumulate

Monthly “Deposits” include:

- **Regular single life annuity benefit.**
- **Employee contributions to the retirement plan while in DROP**
- **Compounded monthly interest** (Currently 3.5% annually)

**Payable as lump sum or
monthly benefit at DROP exit.**

DROP EXAMPLE

Employee enters DROP on January 1 ...

- has exactly 25 years Creditable Service
- has final average pay of \$96,000

Retirement Benefit at DROP entry =

$$\text{\$96,000/12 x .75 = \$6,000/month}$$

DROP Account 12 Month Accumulation



Month

- January
- February
- March
- April
- May
- June
- July
- August
- September
- October
- November
- December



Retirement Benefit

- 6,000
- 6,000
- 6,000
- 6,000
- 6,000
- 6,000
- 6,000
- 6,000
- 6,000
- 6,000
- 6,000
- 6,000



Employee Contribution (11.6% of pay)

- 928.00
- 928.00
- 928.00
- 928.00
- 928.00
- 928.00
- 928.00
- 928.00
- 928.00
- 928.00
- 928.00
- 928.00



Total with monthly interest

- 6,928
- 13,875.89
- 20,843.73
- 27,831.57
- 34,839.47
- 41,867.49
- 48,915.69
- 55,984.12
- 63,072.84
- 70,181.92
- 77,311.40
- 84,461.36

“Deposits” occur at the end of each month.

DROP EXAMPLE

(continued)

Retirement Benefit at DROP entry = $\$96,000/12 \times .75 = \$6,000/\text{month}$

<u>Years in DROP</u>	<u>DROP Account Balance</u>
2*	\$172,218
3	\$263,396
4	\$358,125
5	\$456,541

Assume 6 months unused sick leave at DROP exit.

**Retirement Benefit at DROP exit = $\$6,100/\text{month}$ single life annuity
(may elect optional form of payment)**

** If a participant leaves DROP before the 2 year minimum, the retirement benefit will be calculated as if they never entered DROP and no DROP account will be paid.*

Exiting DROP

- **Upon retirement, DROP account can be paid as:**
 - a lump sum (subject to tax withholding)
 - a direct rollover to an IRA/ qualified plan
 - an additional annuity in the same form as regular retirement benefit.
- **18 months' advance written notification to the Retirement Coordinator and the Department is required to exit DROP before reaching the maximum exit date.**
- **Failure to provide proper notification will result in an interest penalty of up to one year.**
- **Once notification is received, it becomes irrevocable after 60 days.**

While in DROP...

- **An employee remains on payroll and receives regular bi-weekly paycheck.**
- **All other benefits remain the same as for active employees including:**
 - **Pay increases, promotions**
 - **Group Insurance (medical, dental, life, LTD)**
 - **Annual, Sick and Personal leave accrual**
- **Participants will receive annual statement of the DROP account balance.**
- **After retiring at DROP exit, employee qualifies for retiree health insurance same as any other retiree.**



RETIREE HEALTH INSURANCE

- Must be enrolled in County's health insurance as an active employee at time of retirement
- County pays % of premium based on years of service

Years at Retirement

15-19

20-24

25+

County Pays

50%

75%

90%

- Deductions taken from retirement check
- One-time "Opt-Out" allowed
- Dental Insurance, spousal insurance available
- Retirees over age 65 must be enrolled in Medicare Part A and Part B. At age 65, County insurance becomes Medicare Advantage plan.



RETIREE HEALTH INSURANCE

SAMPLE MONTHLY RATES FOR 2017

Retiree / spouse under age 65		YEARS AT RETIREMENT	
	Full Premium	20-25 75%	25+ 90%
<u>Aetna Select Open Access:</u>			
Retiree only	\$576.96	\$144.24	\$57.70
Retiree + spouse	\$1,327.01	\$723.75	\$637.21
Retiree + child(ren)	\$1,078.92	\$646.20	\$559.66
Family	\$1,707.82	\$1,104.56	\$1,018.02

	Retiree only	Retiree + spouse	Family
Delta Dental	\$29.85	\$70.17	\$87.92
Dominion Dental	\$9.75	\$18.25	\$25.33

HOWARD COUNTY DEFERRED COMPENSATION PLAN

457(b) Plan

- **Administered by Nationwide.**
- **Allows tax-deferred savings through payroll deduction, up to statutory limits.**
- **Visit their website at www.howard457.com for:**
 - **Plan contacts**
 - **Calculation tools**
 - **Investment Information**
 - **Forms**
 - **Account access**



AS YOU APPROACH RETIREMENT



- **Contact the Howard County Retirement Department to request current estimate of Retirement Plan benefit.**
- **Make an appointment with the Nationwide Retirement Specialist to discuss options for deferred compensation money.**
- **Depending on your age, contact the local Social Security Office (or go to www.ssa.gov) for information on Social Security and Medicare benefits.**

CONTACT INFORMATION

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QUESTIONS?

